

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2077 - SB 2073

February 21, 2018

SUMMARY OF BILL: Requires health insurance to cover acupuncture services as a benefit beginning January 1, 2019.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures – \$720,000/FY18-19
\$1,440,000/FY19-20 and Subsequent Years**

Potential Impact on Health Insurance Premiums (required by Tenn. Code Ann. § 3-2-111): Such legislation will result in an increase in the cost of health insurance premiums for procedures and treatments being provided by plans that do not currently offer these benefits at the proposed mandated levels. It is estimated that the increase to each individual's total premium will be less than one percent. A one percent increase in premium rates could range between \$50 (single coverage) and \$140 (family coverage) depending on the type of plan.

Assumptions:

- The Affordable Care Act requires states to defray the costs of state-mandated benefits in qualified health plans (QHPs) that are in excess of the essential health benefits (EHB).
- The state will be required to defray the cost of benefits required in the proposed legislation because the benefits exceed those provided under Tennessee's EHB benchmark plan.
- Based on information provided by the Department of Commerce and Insurance (DCI), it is estimated there will be a total QHP population of approximately 200,000 for calendar year 2018, consisting of approximately 190,000 individuals covered on the exchange and approximately 10,000 individuals covered off the exchange.
- The state would be responsible for the amount of premium attributed to the new benefit or the insurance carrier's actual costs. The estimate in this note assumes the state will reimburse the health insurance carrier for the amount of premium attributed to the new benefit.
- Based on information provided by carriers who currently offer QHPs in Tennessee, the average per member per month cost is \$0.60, or \$7.20 per year (\$0.60 x 12 months).
- The recurring increase in state expenditures in FY19-20 and subsequent years is estimated to exceed \$1,440,000 (200,000 individuals x \$7.20) due to the increase for which the state would be required to defray the cost. Due to the January 1, 2019

effective date, the increase in state expenditures in FY18-19 is estimated to be \$720,000 (\$1,440,000 x 50.0%).

- Based on information provided by the Department of Finance and Administration Division of Benefits Administration, the State, Local Education, and Local Government Plan currently provide coverage for acupuncture under certain circumstances; therefore, any fiscal impact is estimated to be not significant.
- Based on information provided by the Division of TennCare, acupuncture is not on the Division's exclusion list and is already covered; therefore any fiscal impact is estimated to be not significant.

IMPACT TO COMMERCE:

**Increase Business Revenue – Exceeds \$720,000/FY18-19
Exceeds \$1,440,000/FY19-20 and Subsequent Years**

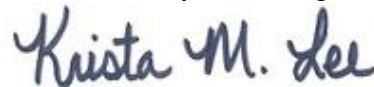
**Increase Business Expenditures –
Exceeds \$720,000/FY18-19
Exceeds \$1,440,000/FY19-20 and Subsequent Years**

Assumptions:

- Health care providers that provide treatments that have not been covered by health benefit plans will incur an increase in revenue from the increased coverage provided by insurance companies as a result of the proposed legislation.
- Insurance companies will realize an increase in premium revenue to cover the increased coverage.
- An exact impact to commerce cannot be determined due to a number of unknown factors, but the increase in business revenue is reasonably estimated to exceed the amount of increased business expenditures resulting from the proposed legislation.
- For companies to retain solvency, any increased business expenditures are anticipated to be less than any increased business revenue collected.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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